Banks extending loans against residential housing properties would be required to assign risk weight of 50 percent, instead of present 100 percent.

Investments made by banks in Mortgage Backed Securities (MBS) of residential assets by HFCs, which are recognized and supervised by NHB, would also be assigned a risk weight of 50 percent for the purpose of capital adequacy.

Investments by banks in MBS issued by HFCs supervised by NHB will be reckoned for inclusion in the prescribed housing finance allocation of 3.0 percent.

Commercial banks have been given freedom to decide their lending rates for credit limits over Rs. 2 lakh since October 1994. In April 2001 Monetary and Credit Policy, PLR was converted into a reference or benchmark rate so that banks are now free to lend at a sub-PLR rate to creditworthy borrowers including public enterprises on the lines of a transparent and objective policy approved by their Boards. Therefore, banks have the flexibility to reduce rate on home loans under the extant guidelines on lending rates. The lending rates of commercial banks have generally responded to the comfortable liquidity situation. As many as 21 public sector banks, 14 private banks and 6 foreign banks reduced their PLRs since the announcement of mid-term review in October 2002. While the reduction in PLR by public sector banks was to the tune of 50 to 100 basis points, the same for private banks ranged from 50 to 200 basis points and for foreign banks it was 25 to 325 basis points.

RBI's Credit Policy

2052. SHRI JANARDHANA POOJARY: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that all leading banks are considering to lower the interest rate on all their services and products, including Prime Lending Rates following the credit policy recently announced by the Reserve Bank of India;

(b) if so, the details in this regard;

(c) whether this rate-reduction have a positive impact on the home loan market; and

(d) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) and (b) According to the information furnished by Reserve Bank of India (RBI) as many as 21 public sector banks, 14 private banks and 6 foreign banks of mid-term review in October 2002. While the reduction in PLR by public sector banks was to the tune of 50 to 100 basis points, private banks ranged from 50 to 200 basis points and foreign banks 25 to 325 basis points. Distribution of PLR by public sector banks reveals that the typical PLR of banks has come down from 11.5-12.0 percent in March 2002 to 10.0-11.5 percent in February 2003. Moreover, nearly one third of banks' outstanding credit over Rs. 2 lakh was at sub-PLR rates.

(c) and (d) The lending rates of banks from time to time are governed by the directives on interest rate issued by RBI. As per extant guidelines the interest on loans up to Rs. 2 lakh should not exceed Prime Lending Rate (PLR) of the bank and beyond Rs. 2 lakhs, banks are free to charge rates over PLR but within the maximum spread fixed by bank. There has been reduction in PLRs of banks following reduction in Bank Rate and Cash Reserve Ratio by RBI. There was also a reduction in lending rates on housing finance. In fact, the reduction in lending rates on home loans has been more pronounced. The reduction in the processing fees and rates of interest coupled with option of floating rates and increase in the tenure of the loan has enabled the common people to access the formal financial sector for assistance at a much more affordable rates. This positive impact is evident from the growth rates registered in the housing loans disbursed by banks and HFCs during last three years as indicated below:

Housing Finance by Public Sector Banks

(Rs. in crore)

Year	Particulars	
	Allocation	Sanction
1999-2000	3051.52	9911.35
2000-2001	3409.95	9787.24
2001-2002	5159.22	14744.85

Housing Finance by NHB approved HFCs

(Rs. in crore)

Year	Particulars Disbursed
1999-2000	9812.03
2000-2001	12637.85
2001-2002	14552.53

New value added Scheme of Vijaya Bank

2053. SHRI SURENDRA LATH: Will the Minister of FINANCE & COMPANY AFFAIRS be pleased to state:

(a) whether Vijaya Bank propose to launch a new value added scheme;

(b) if so, since when; and

(c) what are the salient features of that scheme?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) to (c) Vijaya Bank has reported that it has launched a new value added scheme *viz.* Vijaya Raksha, in association with the Life Insurance Corporation of India on 1st January, 2003. This scheme offers life insurance cover to the Bank's depositors at a nominal premium and its salient features are as under:—

All deposit account holders (having Saving Bank Account, Current Account or Term Deposit Account) of the Bank between the age of 18 years and $54^{1}/_{2}$ years are covered under "Vijaya Raksha" Scheme.

The premium payable under the scheme per annum is Rs. 325/ 575 for the depositors of age group 18 to $44^{1}/_{2}$ years $44^{1}/_{2}$ to $54^{1}/_{2}$ years.

The assured sum is Rs. 1 lakh (Rupees one lakh only) in case of natural death and Rs. 2 lakhs (Rupees two lakhs only) in case of accidental death.